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Statement by Paul Filson, Director of Service Employees International Union (SEIU)  
Connecticut State Council On Governor's Bill 843 **AN ACT CONCERNING  
REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.**— before  
the Finance, Revenue and Bonding Committee

Good Afternoon, Co-Chairs, Senator Fonfara, Representative Widlitz and distinguished members of the Finance, Revenue and Bonding Committee - I appreciate the opportunity to be here before you today. My name is Paul Filson I am the Director of the Service Employees International Union Connecticut State Council.

When talking about financing the state budget people talk in platitudes. They say Connecticut is not business friendly and they point to anemic job growth. Others talk about unfairness and how revenues are raised in such a way that those least able to afford to contribute are, in fact, required to contribute a higher percentage of their income or that the wealthy are already contributing the lion's share of revenues. There is some truth to these sound bites. However, most people do agree that the state budget is cobbled together in such a way that underlying problems are inadequately addressed.

From an accountant's point of view having a reliable and adequate funding stream is most important. So the state relies mostly on income and sales taxes. Figuring out the correct mix of these taxes to accomplish the goals of economic growth is the hard part. Figuring out who pays and who doesn't is another part of the equation.

The Governor's budget tries to do several laudable things but, in my opinion, is not fully successful. The Governor correctly tries to address some inequities by eliminating the car tax and by reinstating the sales tax exemption on inexpensive clothing. His budget tries to emphasize infrastructure and job growth investments. Unfortunately, at the same time, the Governor does not adequately raise revenues to either fund his bold investments nor does he address the inequities that exist with Connecticut's municipal funding system.

Connecticut's funding system is rife with inequities. Some are obvious like the way income taxes are apportioned. Unearned income, like capital gains and dividend income are taxed the same as income earned by hard working people through payrolls. The wealthy pay only half as much of their income in taxes as do the less wealthy. Small businesses pay a much higher percentage of their profits in taxes than do large multi-state or multi-national corporations. Other inequities are harder to understand such as why some services are subject to sales taxes and others are not. Why do some types of corporations get breaks and others do not? And municipalities rely disproportionately on property taxes which are notoriously unfair.

The legislature should attempt to help the Governor accomplish his worthy goals by changing the way Connecticut raises revenues and by raising more. More revenue can be raised more equitably with a more progressive tax structure. The wealthy should pay more of their income in taxes and unearned income should be subject to higher taxes than earned income. Most of our neighboring and competing states tax the wealthy more. Business income taxes need to be raised in a fair way so that large profitable corporations pay their fair share. So many loopholes and exemptions and schemes exist that hundreds of millions of dollars are lost each year. A good first step would be the requirement that corporations stop hiding their profits – Connecticut should join much of the rest of the country and require combined reporting.

Corporation tax revenues account for less than 5% of Connecticut's budget. This is a dramatic decline from 20 years ago. Yet Connecticut still does not create adequate jobs. There is no evidence that raising income taxes on the wealthy creates an out migration.

The Finance Committee has an opportunity to help grow jobs, take care of the needy and create a more transparent revenue system that will fund a strong state far into the future.